

# "Background of Invention"

acceptable premium commensurate with the risk involved and without excessive exposure in the amount of coverage provided.

[0011] Figure 1, is representative of the procedure of existing underwriting audit processes. The auditor obtains and reviews at 1 the underwriter's file. The auditor then evaluates at 2 whether the file indicates that the investigative work-up by the underwriter was complete and in compliance with established norms for obtaining necessary information. If the investigative work-up is not in compliance with established requirements, the auditor reports the investigative work-up as defective at 3. If the investigative work-up is in compliance with established requirements, it is reported as appropriate at 4.

[0012] The underwriter then evaluates at 6 whether the underwriting was appropriate. Such a decision is limited to whether or not the offered rate is within established company norms based upon known risk factors, or within an acceptable range of rates. If the rate at which the policy was offered was not within established rates or the acceptable range, then the underwriting is reported as defective at 7. If the rating is within the acceptable range of the norms then the underwriting is reported as appropriate at 8.

[0013] In the life insurance context, the investigative work-up focuses on identifying risk factors which might negatively effect life expectancies. The risk factors relied on focus primarily on medical conditions or medical history, risky occupations or avocations and the amount of insurance sought in comparison to the insured's net worth or earning potential. In underwriting the policy, the underwriter evaluates the risk factors identified in the investigative work-up and assigns a risk rating to the applicant. Using company established guidelines, the underwriter determines whether the proposed rate is acceptable or provides an acceptable rate.

[0014] The emphasis placed on strict compliance with established rules under existing underwriting audit decision processes discourages creativity and discretionary decision making by underwriters in an effort to limit adverse exposure. This however, results in lower placement rates, less premium and dissatisfied customers who are looking for coverage.